



AGENDA DATE: 10/25/00  
AGENDA ITEM: 8B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
*Two Gateway Center*  
*Newark, NJ 07102*

PETITION OF NET2000 COMMUNICATIONS )  
SERVICES, INC. FOR AUTHORITY TO )  
PROVIDE GUARANTEES AND OTHER )  
SECURITY IN CONNECTION WITH A )  
CREDIT FACILITY AGREEMENT )

ORDER OF APPROVAL

DOCKET NO.: TF00060395

Kelley Drye & Warren, LLP, Enrico Soriano, Esq. Counsel for Net2000 Communications Services, Inc.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising Accountant, Julie Huff, Accountant II, Office of the Economist, on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

On June 26, 2000, Petitioner, Net2000 Communications Services, Inc. ("NCSI" or "Petitioner"), filed a Petition (the "Petition") with the New Jersey Board of Public Utilities ("Board") seeking approval for NCSI to provide guarantees and other security on behalf of its parent, Net2000 Communications Group, Inc. ("NCGI") under the Credit Facility Agreement described below.

NCSI presented evidence through its verified Petition and its response to the staff's request for further information. The Petition and additional information submitted reveal that the ultimate parent company of NCSI is Net2000 Communications, Inc. ("NCI"). NCI is a publicly held Delaware corporation headquartered at 2180 Fox Mill Road, Herndon, VA 20171. NCI through its various direct and indirect subsidiaries is a rapidly growing, innovative provider of state-of-the-art broadband telecommunications services.

Through its subsidiaries, principally NCSI, NCI is authorized to provide services in every state except Alaska, including interexchange services in 49 states and local exchange services in 12 states, including New Jersey (Docket No. TE98080760). NCSI also is authorized by the Federal Communications Commission to provide both interstate and international telecommunications services. NCGI also is a wholly owned subsidiary of NCI and a parent of NCSI. NCGI functions as a holding company and will be the "Borrower" under the Credit Facility Agreement.

NCGI has negotiated, and is currently awaiting state approvals of, a Credit Facility Agreement for up to an aggregate amount of \$300 million. In the event the Credit Facility Agreement does not cover the full amount desired by NCGI, it may enter into additional agreements with the same or different lenders for additional funds up to a maximum of \$300 million. The terms of any such additional agreement are expected to be similar to those now being negotiated. The credit will be made available by Toronto Dominion (Texas), Inc. as the Administrative Agent, TD Securities, (USA), Inc. as Lead Arranger and Book Manager, Royal Bank of Canada as Syndication Agent, Goldman Sachs Credit Partners, L.P. as Documentation Agent and First Union Securities, Inc. as Co-Documentation Agent. Additional or different lenders may participate under this agreement pursuant to an Assignment and Acceptance. The exact amount of each credit and the terms under which it may be available will be finalized at the time the credit is made available. The borrowings may be used for general corporate purposes including working capital and capital expenditures. Subject to certain restrictions, some of the funds also may be used for acquisitions and investments.

According to Petitioner, the proposed transaction is in the public interest by enhancing the ability of NCI, and its subsidiaries, including NCSI, to grow and compete in the highly competitive markets for telecommunications services in New Jersey and nationwide.

After review, the Board FINDS that the transaction to be made is in accordance with the law, is in the public interest and approves the purposes thereof. The Board HEREBY AUTHORIZES Petitioner to provide guarantees and other security in connection with a Credit Facility Agreement being entered into by its parent, Net2000 Communications Group, Inc.

This Order is subject to the following Provisions:

1. An event of default under the Credit Facility or any related agreement shall not result in any automatic transfer of ownership of any of Petitioner's certificates issued by the Board.
2. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions approved hereunder or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioner's assets or shares of capital stock. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq., where applicable.
3. The Board's approval herein shall not be interpreted as limiting the Board's authority over the Petitioner to the extent that any action contemplated in the Credit Agreement would require further Board review and approval under applicable law.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting the Petitioner.

5. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets of commensurate value or investment costs.

DATED: November 1, 2000

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]  
HERBERT H. TATE  
PRESIDENT

[SIGNED]  
CARMEN J. ARMENTI  
COMMISSIONER

[SIGNED]  
FREDERICK F. BUTLER  
COMMISSIONER

ATTEST:

[SIGNED]  
FRANCES L. SMITH  
SECRETARY